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TFSC-M-24
8 July 1959

MEMORANDUM FOR: Executive Secretary, EIC

SUBJECT: Annual Report, FY '59 of the EIC Subcommittee
on International Trade and Finance.

REFERENCE: EIC-D-371, 13 May 1959.

A. Activities of the Subcommittee During the Fiscal Year.

1. Review of the Intelligence Product.

Subcommittee review and evaluation of the state of intelligence under its purview accompanied its consideration of priority research deficiencies (see 2 below).

2. Research and Collection Deficiencies.

a. Research Deficiencies.

Early in the fiscal year the Subcommittee discussed, approved and forwarded to the EIC a detailed statement of priority deficiencies of research. This statement was later approved by the EIC. Since, in the intervening months some of these deficiencies have been partially filled, and since the emphasis among priorities may have meanwhile changed, it is appropriate that the Subcommittee review the entire subject in the near future and update the existing statement.

b. Collection Deficiencies.

During the year the Subcommittee noted the CIA/ORR statements of priority gaps in intelligence which it received from the EIC Secretariat. The Subcommittee had earlier indicated that as a group it did not feel qualified to pass judgment on collection deficiencies, believing that only CIA is in a position to know what collection requirements have been levied, are outstanding, are being acted on, or are impossible to service. The Subcommittee is, however, pleased to be informed of the judgment of CIA/ORR in these matters.

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3. Review of Substantive Papers.

Acting in accordance with a recommendation approved by the Intelligence Advisory Committee (IAC M-348, 17 June 1958) and in accord with EIC instructions, the Subcommittee reviewed and concurred in the summary and conclusions of the following reports before their publication by the originating agency: Department of State, Communist China's Trade with Non-Bloc Countries in 1957 (IR 7838); Central Intelligence Agency, Dollar Value of the Foreign Trade of China (RR IM-477); Central Intelligence Agency, Economic Relations of Communist China with the USSR Since 1950 (RR 59-16); and Central Intelligence Agency, Economic Relations Between Communist China and the European Satellites, 1950-58 (to be published).

4. Review of Proposals for External Research.

There were no proposals for external research submitted for Subcommittee review during the year.

5. Maintenance of Agreed Basic Statistics.

It was agreed by the Subcommittee in previous years that statistics on East-West trade need not be maintained, since all agencies receive such data from a single source (Department of Commerce). Intra-Bloc trade data, however, are in part research estimates and as such have been subject to Subcommittee review in the course of its consideration of substantive papers (see 3 above). During the past fiscal year the Subcommittee has had occasion to review intra-Bloc trade estimates for the intra-Bloc trade of Communist China only. It seems eminently appropriate that in the future the Subcommittee review research reports relating to the intra-Bloc trade of the USSR and the European Satellites.

6. Projects Undertaken at the Request of EIC.

In addition to the review of the summary and conclusions of selected research reports in accord with the instructions of the EIC (see 3 above), the Subcommittee also prepared, jointly with the Subcommittee on Transportation, a summary report entitled "A Summary of the International Trade and Transport of Communist China 1957-58". This report replaces the annual EIC-RI series entitled "Communist China's Imports, Exports, Trade and Transport Involved".

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7. Intelligence Research Techniques.

In December 1958 an international trade conference was held in Washington under the auspices of the Subcommittee. Several members of the Subcommittee participated actively at all sessions of the conference.

The Subcommittee was kept fully informed of the findings of the Conference which devoted several sessions to the question of research techniques and methodology appropriate to determining Communist China's exchange rate, the volume of Soviet gold exports, the value of Bloc arms shipped under military aid agreements. The findings of the Conference were published in CIA/RA 59-4 (March 1959) "Report of Joint Discussions on Sino-Soviet Bloc Trade, 2-11 December, 1958."

8. Special Coordination Functions of the Subcommittee.

Most of the Subcommittee's activities during the year involved interagency coordination. See especially 3, 6 and 7 above.

9. Evaluation of the Role of the Subcommittee.

The past fiscal year has brought a significant increase in the efficacy of Subcommittee activities. It has served as a forum for interagency review and coordination of four papers concerned with the international trade of Communist China and for the drafting and coordination of "A Summary of the International Trade and Transport of Communist China 1957-58". Substantively, the Subcommittee has been almost exclusively concerned with the international trade problems of Communist China. This emphasis results from the history of the Subcommittee and from a recommendation approved by the Intelligence Advisory Committee (IAC-M-348, 17 June 1958). While the intelligence problems related to Communist China's international economic relations are of undisputed importance, still the Subcommittee should not neglect those of other members of the Communist Bloc.

B. Future Program of the Subcommittee.

The Subcommittee has gained valuable experience this past year with techniques for review and coordination of the summary and conclusions of substantive research reports. The officers of the Subcommittee plan to propose to the members a program for the coming year which will involve similar Subcommittee review of selected intelligence reports in the field of Bloc international trade.

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Executive Secretary

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